

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm
Tom Burton
Marshall Johnson
Cynthia A. Kitlinski
Dee Knaak

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of Northern States Power
Company's request for Commission
Certification of Eligibility for Conservation
Allowances from the Energy Conservation and
Renewable Reserve

ISSUE DATE: January 26, 1995

DOCKET NO. E-002/M-94-623

ORDER AUTHORIZING CERTIFICATION
OF NORTHERN STATES POWER
COMPANY'S APPLICATION FOR
ALLOWANCES FROM THE
CONSERVATION AND RENEWABLE
ENERGY RESERVE

PROCEDURAL HISTORY

On July 8, 1994, Northern States Power Company (NSP or the Company) filed a petition requesting the Commission certify certain items in connection with the Company's application to the Environmental Protection Agency's (EPA's) Conservation and Renewable Energy Reserve (CRER). Specifically, the Company requested that the Commission authorize its Executive Secretary to confirm on behalf of the Commission that

- 1) the Company is subject to a least cost planning process that meets the established criteria;
- 2) the Company is implementing the least cost planning process to the maximum extent practicable; and
- 3) the Company's claims of energy savings are correct and accurate.

On October 3, 1994, the Minnesota Department of Public Service (the Department) filed comments recommending that the Commission make the requested findings.

On December 2, 1994, NSP filed additional information regarding its energy savings achievements.

On January 5, 1995, the Commission met to consider this matter.

FINDINGS AND CONCLUSIONS

I. THE COMMISSION'S ROLE

The allowance-award process established by the regulations adopted to implement the Federal Clean Air Act Amendments (CAAA) of 1990 involves a major screening role for the

Commission. In determining who shall receive allowances and how many allowances they shall receive, the Environmental Protection Agency (EPA) relies substantially on the determinations of the Commission with regard to whether applicants meet the eligibility requirements for allowances from the Reserve.

The certification responsibilities of the State Utility Commission having rate-making jurisdiction over the applicant as configured on the EPA Form 7601-10 (1-93) are as follows:¹

First Certification: The State Commission must certify that the applicant's least cost plan or least cost planning process meets the requirements of 40 CFR 73.82 (a) (4). In addition to five criteria that *describe* a qualified process/plan is a requirement that the plan or planning process be implemented "to the maximum extent practicable."

Second Certification: If the applicant is claiming savings for a conservation or renewable energy measure *not* listed in Appendix A of 40 CFR Part 73, the State Commission must certify that the measure meets the criteria of 40 CFR 73.81 (a) (2).

Third Certification: If the applicant claims that verification of its conservation measures has been performed by the State and the state authority has utilized a verification methodology to determine the applicant's entitlement to a performance-based rate adjustment, the State Commission must certify that the verification procedures meet the ratemaking entity's requirements and the information and calculations (claimed energy savings) contained in the applicant's form are true and correct. 40 CFR 73.81(a)(2).

¹ This Order presents the certification issues as they appear on the Form 7610-10 (1-93) because it is this form that the Commission's Executive Secretary is requested to sign as part of the Company's application to the EPA. Presentation of the issues in this manner clarifies for the EPA that the Commission understands exactly what findings it must make in order for the certification to be appropriate.

II. COMMISSION FINDINGS

A. First Certification

The first certification must be based on two distinct findings:

- that NSP has a least cost planning process that meets the five EPA criteria set forth in (a) (4) (i) through (v); and
- that the Company is implementing that plan to the maximum extent practicable.

First finding: The Commission has already made the first finding in a generic proceeding, Docket No. E-999/CI-91-923. In its July 23, 1992 Order, the Commission established that Minnesota utilities are subject to a least cost planning process that meets the criteria for a "least cost planning process" as specified in the EPA regulations.

Second finding: Regarding the second finding (that NSP is implementing its least cost plan to the maximum extent practicable), the Commission is prepared to make such a finding based on its review of the facts in this case.

In a previous case, the Commission determined that it would judge "maximum practicable implementation" in light of 1) the number and severity of the deficiencies it noted when it approved the company's resource plan and 2) the sources available to verify the company's compliance ..." with the resource plan and Commission's Order accepting the resource plan.² Taking these two considerations into account, the Commission finds that the information filed to date is sufficient without further filing, comment or hearing. The Commission further finds, based on that information, that at the time of this Order NSP is making satisfactory progress in implementing its resource plan, i.e. is implementing its resource plan to the maximum practicable extent. The bases of the Commission's finding are the Department's report of its participation in NSP's second biennial resource plan filing and the Company's participation in collaboratives and informal discussions on issues pertaining to the resource plan.

B. The Second Certification

The second certification listed in EPA Form 7610-101 (1-93) is only required if the applicant is claiming savings for a conservation or renewable energy measure *not* listed in Appendix A

of 40 CFR Part 73. Since NSP is citing measures that appear in Appendix A, this certification is not required.

C. The Third Certification: Verification of Savings

NSP plans to apply to the EPA for 840.8 allowances from the CRER. The calculation of 840.8 allowances is based on energy savings from its demand side management activities: 162,010 MWh in 1992 and 258,383 MWh in 1993. The Company noted that the Commission has annually reviewed NSP's demand side management (DSM) achievements through the Company's "Report and Evaluation of the DSM Financial Incentive Mechanism."

² In the Matter of the Request of Minnesota Power for Commission Certification of Eligibility for Renewable Energy Allowances From the Energy Conservation and Renewable Reserve Under 40 CFR 73.82, Docket No. E-015/M-93-676, ORDER AUTHORIZING CERTIFICATION OF MP'S APPLICATION FOR ALLOWANCES FROM THE CONSERVATION AND RENEWABLE ENERGY RESERVE (December 22, 1993) at page 5.

The Department agreed with the Company's claim that NSP's Demand-Side Management achievements are reviewed through the annual "Report and Evaluation of the DSM Financial Incentive Mechanism." The Department claimed that a review of NSP's DSM Financial Mechanism filings indicated that the energy savings claimed by the Company are correct and accurate.

The Commission finds that following review of the Company's annual DSM filings, it has issued the following Orders:

- In its July 8, 1993 ORDER AUTHORIZING THE BOOKING OF TRACKER AMOUNTS AND PROVIDING FOR FUTURE CONSIDERATION OF CERTAIN CONCERNS in Docket E-002/M-90-1159, the Commission authorized NSP to book its CIP tracker account to reflect recoverable load management discounts resulting from 149,038 MWh of energy savings in 1992.
- In its August 5, 1994 ORDER ACCEPTING REPORTS AND AUTHORIZING BOOKING TO THE TRACKER ACCOUNT in Docket No. E-002/M-94-372, the Commission authorized NSP to book to its CIP tracker an ROE bonus for 258,383 MWh of energy savings in 1993.

Furthermore, in a December 1, 1994 letter the Company satisfactorily confirmed actual 1992 CIP savings of 162,010 MWh, as reported in NSP's August 1993 Conservation Improvement Program report, rather than the 149,038 MWh approved in Docket E-002/M-90-1159. The Company indicated that the difference is a result of:

1. corrected performance and participation levels for Small Business Lighting (264)
2. programs which are expensed for the purpose of financial incentive mechanisms and are not included in the DSM Incentive Cost-Effectiveness & Performance Mechanism filing 548
3. programs which are started part-way through the year 12,688

Based on its annual reviews, the cited Orders, the Company's December 1, 1994 letter, and the Department's comments, the Commission concludes that the savings claimed by the Company in its application to the EPA are correct and accurate.

VI. COMMISSION ACTION

The Commission has carefully reviewed the requirements which the Commission is asked to certify under the CAAA rules. In accord with the preceding analysis and findings, therefore, the Commission is prepared to fully certify NSP's proposal to the EPA, as required by the CAAA rules.

Specifically, the Commission will authorize the Executive Secretary to sign the Company's EPA Form 7610-10(1-93), indicating on behalf of the Commission that

1. NSP is subject to a least cost planning process that meets the established criteria;
2. that the utility is implementing a Commission-approved least cost planning process to the maximum extent practicable; and

3. that the energy savings claims NSP has made in its application to the EPA are correct and accurate.

ORDER

1. The Commission's Executive Secretary is hereby authorized and directed to certify, on behalf of the Commission, the items listed in Step 12 of EPA Form 7610-10 (1-93) and take such other steps to communicate with the EPA consistent with this Order.
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)